

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the April 2000 to the July 2000 *Idaho Economic Forecast*. The April 2000 Idaho forecast is based on DRI's March 2000 U.S. macroeconomic forecast and the July 2000 Idaho forecast is driven by DRI's June 2000 forecast.

This section focuses on the differences between the current and previous *Idaho Economic Forecasts*. The changes for several key national and Idaho economic variables are summarized on the accompanying table. The national variables are reviewed first. As the table shows, the outlook for the U.S. economy has improved significantly since the last *Forecast* was published. Both the nominal and real measures of GDP are up from previous projections. Nominal GDP has shown the strongest improvement. It is up by 1.2% this year, 1.6% next year, 1.5% in 2002, and 1.8% in 2003. This stronger growth is due in part to higher inflation. Indeed, the price data on the bottom of the table show anticipated inflation running ahead of previous estimates. Because of the higher inflation, the improvement in real GDP will not be as much as the gain in nominal GDP. Specifically, it is about 0.5% higher in each year from 2000 to 2002, and nearly 1.0% stronger in 2003. The stronger economy translates to stronger employment growth in the near term, but this advantage erodes over time as the available labor supply disappears. Interestingly, all improvements to employment come from the goods-producing sector. The outlook for the services-producing sector is virtually unchanged from the previous projection. Despite the stronger employment picture, real personal income is down significantly in 2000, as the slight gain in nominal income is overwhelmed by inflation.

The outlook for Idaho's economy has also improved significantly. Nonfarm employment is now expected to be about 0.5% higher than previously thought. Both the goods- and services-producing sectors contribute to higher employment this year and next. However, in 2002 and 2003, goods-producing employment drops slightly below previously forecasted levels. But this drop is more than offset by the continued strength of the services-producing sectors. The estimates for Idaho nominal personal income are up noticeably from previous levels. Readers are reminded that most of this increase reflects significant revisions to the historical data. For example, 1999 Idaho nominal personal income was revised upwards by over \$1.5 billion. The personal income components that contributed to this increase were farm proprietors' income; dividends, interest, and rent; and other labor income. After adjusting for the higher inflation, Idaho real personal income is up 4.5% to 5.0% above previous estimates.

IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN APRIL 2000 AND JULY 2000 FORECASTS

	1999	2000	2001	2002	2003
GDP (BILLIONS)					
Current \$	2	119	161	158	199
% Difference	0.0%	1.2%	1.6%	1.5%	1.8%
1992 Chain-Weighted	-5	34	45	44	81
% Difference	-0.1%	0.4%	0.5%	0.5%	0.9%
PERSONAL INCOME - CURR \$					
Idaho (Millions)	1,511	1,593	1,775	1,859	1,950
% Difference	5.4%	5.3%	5.6%	5.5%	5.5%
U.S. (Billions)	1	1	67	94	118
% Difference	0.0%	0.0%	0.8%	1.0%	1.2%
PERSONAL INCOME - 1992 \$					
Idaho (Millions)	1,303	1,197	1,274	1,284	1,289
% Difference	5.3%	4.7%	4.8%	4.6%	4.5%
U.S. (Billions)	-5	-50	-6	9	18
% Difference	-0.1%	-0.7%	-0.1%	0.1%	0.2%
TOTAL NONFARM EMPLOYMENT					
Idaho	-438	1,043	2,138	2,162	2,715
% Difference	-0.1%	0.2%	0.4%	0.4%	0.5%
U.S. (Thousands)	164	236	367	138	64
% Difference	0.1%	0.2%	0.3%	0.1%	0.0%
GOODS PRODUCING SECTOR					
Idaho	-359	232	689	-260	-255
% Difference	-0.3%	0.2%	0.6%	-0.2%	-0.2%
U.S. (Thousands)	238	334	429	189	69
% Difference	0.9%	1.3%	1.7%	0.8%	0.3%
SERVICE PRODUCING SECTOR					
Idaho	-79	811	1,449	2,422	2,970
% Difference	0.0%	0.2%	0.3%	0.5%	0.6%
U.S. (Thousands)	-74	-98	-62	-51	-5
% Difference	-0.1%	-0.1%	-0.1%	0.0%	0.0%
FINANCIAL MARKETS					
Federal Funds Rate	0.0	0.1	0.3	0.6	0.4
Bank Prime Rate	0.0	0.1	0.3	0.6	0.3
Mort Rate, New Homes	0.0	0.0	0.5	0.6	0.5
INFLATION					
GDP Price Deflator	0.1	0.9	1.2	1.1	1.0
Personal Cons Deflator	0.1	0.8	1.0	1.0	1.2
Consumer Price Index	0.0	1.3	1.7	1.8	1.9

Forecast Begins the FIRST Quarter of 2000